

**DISTRICT OF COLUMBIA  
DEPARTMENT OF INSURANCE AND SECURITIES  
REGULATION**

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**NOTICE OF FINAL RULEMAKING**

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The Commissioner of the Department of Insurance and Securities Regulation, pursuant to the authority set forth in Section 3 of the "Standard Valuation and Nonforfeiture Amendment Act of 2003", effective February 6, 2004 (D.C. Law 15-63; to be codified at D.C. Official Code § 31-4705.03 (2004 Supp.)), gives notice of the adoption of the following amendments to be included in Title 26 of the District of Columbia Municipal Regulation ("DCMR"). Notice of the Proposed Rulemaking was published on April 2, 2004 (51 DCR 3475). These final rules will be effective upon the publication of this notice in the D.C. Register. The purpose of the new chapter is to codify, by regulation, a formula that will allow for adjustments of interest rates applied to deferred annuities so that insurers may periodically, and when necessary, bring the interest rates for standard nonforfeiture amounts of deferred annuities in line with certain other interests rate benchmarks.

**TITLE 26, IS AMENDED TO READ AS FOLLOWS:**

A new chapter is added to read as follows:

**CHAPTER 5100 -- STANDARD NONFORFEITURE LAW FOR INDIVIDUAL  
DEFERRED ANNUITIES**

**5100 CALCULATING MINIMUM VALUES**

- 5100.1 The minimum values, as specified in section 5c(c)(1) of Chapter V of the Life Insurance Act, effective October 13, 1978 (D.C. Law 2-120; D.C. Official Code § 31-4705.03 (2001)), of any paid-up annuity, cash surrender or death benefits available under an annuity contract shall be based upon minimum nonforfeiture amounts as defined in sections 5100.2 and 5100.3:
- 5100.2 The minimum nonforfeiture amount at any time at or prior to the commencement of any annuity payments shall be equal to an accumulation up to such time at rates of interest as indicated in section 5100.3 of the net considerations (as hereinafter defined) paid prior to such time, decreased by the sum of subsections (a) through (d) below:
- (a) Any prior withdrawals from or partial surrender of the contract accumulated at rates of interest as indicated in section 5100.3;
  - (b) An annual contract charge of \$50, accumulated at rates of interest as indicated in section 5100.3;

(c) Any premium tax paid by the company for the contract, accumulated at rates of interest as indicated in section 5100.3; and

(d) The amount of any indebtedness to the company on the contract, including interest due and accrued.

5100.3 The net considerations for a given contract year used to define the minimum nonforfeiture amount shall be an amount equal to the eighty-seven and one-half percent (87.5%) of the gross considerations credited to the contract during that contract year.

5100.4 The interest rate used in determining minimum nonforfeiture amounts shall be an annual rate of interest determined as the lesser of three percent (3%) per annum and the following, which shall be specified in the contract if the interest rate will be reset:

(a) The five-year Constant Maturity Treasury Rate reported by the Federal Reserve as of a date, or average over a period, rounded to the nearest 1/20th of one percent, specified in the contract no longer than fifteen (15) months prior to the contract issue date or redetermination date under subsection 5100.4(d);

(b) Reduced by 125 basis points;

(c) Where the resulting interest rate is not less than one percent (1%); and

(d) The interest rate shall apply for an initial period and may be redetermined for additional periods. The redetermination date, basis and period, if any, shall be stated in the contract. The basis is the date or average over a specified period that produces the value of the five-year Constant Maturity Treasury Rate to be used at each redetermination date.

5100.5 During the period or term that a contract provides substantive participation in an equity indexed benefit, it may increase the reduction described in subsection 5100.4(b) above by up to an additional 100 basis points to reflect the value of the equity index benefit. The present value at the contract issue date, and at each redetermination date thereafter, of the additional reduction shall not exceed the market value of the benefit. The Commissioner may require a demonstration that the present value of the additional reduction does not exceed the market value of the benefit. Lacking such a demonstration that is acceptable to the Commissioner, the Commissioner may disallow or limit the additional reduction, which shall be conducted pursuant to the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1209; D.C. Official Code § 2-501 *et seq.* (2001)).